

September 23, 2011

By electronic mail: jstevenson@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street W, Suite 1903 Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs/ Madames:

RE: Proposed Amendments to NI 31-103 Registration Requirement and Exemptions – Cost Disclosure and Performance Reporting

Thank you for the opportunity to provide comments to the proposed amendments to National Instrument 31-103 *Registration Requirements and Exemptions* and to Companion Policy 31-103 *Registration Requirement and Exemptions* ("NI 31-103") which proposes to implement cost disclosure and performance reporting requirements in NI 31-103 (the "Proposed Rules").

Brandes Investment Partners & Co. ("Brandes") is registered in all jurisdictions in Canada as a portfolio manager, exempt market dealer and mutual fund dealer (except in Quebec) exempt from the requirement to become a member of the MFDA and as an investment fund manager in Ontario.

Brandes is supportive of regulatory initiatives that are designed to offer greater protection to investors and that promote the integrity of Canada's capital markets since these areas are critical in fostering confidence and maintaining the competitiveness of financial markets in Canada. Brandes recognizes the importance of providing investors with clear and concise information about the costs associated with investment products and services and the performance of their portfolios and is therefore generally supportive of such initiatives. We also appreciate the challenge for securities regulators to balance attaining these objectives against the associated costs and operational impacts of these initiatives.

We have carefully reviewed the Proposed Rules and wish to offer the following comments. We are concerned that the Proposed Rules, as currently drafted, will not provide the intended clarity and understanding by investors regarding the fees associated with their investment products and services. Further, we are concerned with the ever increasing level of administrative burden that is being levied on securities registrants, particularly when industry stakeholders are not provided sufficient time to fully evaluate the effectiveness of previously adopted regulatory amendments.

As an investment fund manager, Brandes must provide a simplified prospectus, an annual information form, annual and interim financial statements, annual and interim management reports on fund performance, and fund facts documents in respect of its mutual funds. All of these documents contain detailed information regarding the costs and operations of the mutual fund and are either provided to investors or made available to them free of charge. Further, securities law requires the investment fund manager to either, obtain majority approval of the securityholders of the mutual fund or the approval of the fund's independent review committee along with a notice period to securityholders, prior to implementing an increase in the fees or expenses charged to a fund.

It has been generally recognized that while the simplified prospectus and annual information form contain the specific and detailed information regarding the management and operations of a mutual fund, the documents were not widely read or understood by investors and therefore the Fund Facts documents were implemented. As you are aware, the Fund Facts document contains disclosure, when applicable, regarding the initial sales charge in percentage and dollar amounts, along with an explanation of how the fee is applied; the deferred sales charges applicable in percentage and dollar amounts, with an explanation of how the fee may be applied and any alternative sales charge options that are available in connection with the specific class or series of securities of the mutual fund. The Fund Facts also contains disclosure regarding fund expenses, management expense ratio, trading expense ratio, trailing commissions and any other fees that may apply in respect of the mutual fund. In several places in the document, there is mandated disclosure to explain the impact that fund expenses and management expense ratios have on the performance of a mutual fund.

Acting as an exempt market dealer, mutual fund dealer and portfolio manager, Brandes is also obligated to send to each investor a client relationship disclosure document that contains *"disclosure of all costs to a client for the operation of an account; a description of the costs a client will pay in making, holding and selling investments, and a description of the compensation paid to the registered firm in relation to the different types of products that a client may purchase through the registered firm"*. Additionally,

Brandes must take reasonable steps to notify the client of a significant change in the information contained in the client relationship disclosure document in a timely manner.

The Proposed Rules, as currently drafted, appears to duplicate information that is already made available to investors. For instance, the Proposed Rules include a requirement for registered firms to add disclosure in the client relationship disclosure document regarding the purchase or sale of a security and, if applicable, any deferred charges that may be levied on the subsequent sale of the security. A description of such transactions costs must already be included in the client relationship disclosure and for investors who are buying and selling mutual fund securities, this information is outlined in detail in the Fund Facts documents, simplified prospectus, and client relationship disclosure document. And finally, the actual fees applied are reported to the investor on the trade confirmation.

We are concerned that increasing the requirements for such disclosures will not only increase the costs but will not provide additional meaningful information for investors.

The Canadian Securities Administrators (CSA) have recognized the different levels in investor sophistication by introducing the Exempt Market Dealer category of registration that has exemptions relating to disclosure and reporting obligations in respect of exempt investors. We would encourage the CSA to consider the benefit of providing this additional level of detailed information and reporting to sophisticated investors against the costs associated with implementing these requirements.

Brandes is supportive, in principle, of providing personal rates of return information to investors. There will be system development challenges in providing this detailed information to investors and we ask the CSA to consider extending the timing to allow for such development.

And finally, we agree with the comments submitted by both The Investment Funds Institute of Canada and The Investment Industry Association of Canada that the Proposed Rules appear to overlap client disclosure requirements that are being mandated by the Self Regulatory Organizations on their Dealer Members and with respect to specific challenges regarding performance reporting.

These submissions In closing, we would like to thank you for the opportunity to provide our comments on the proposed NI 31-103.

Yours truly,

A handwritten signature in blue ink, appearing to read "Oliver Murray".

Oliver Murray
CEO